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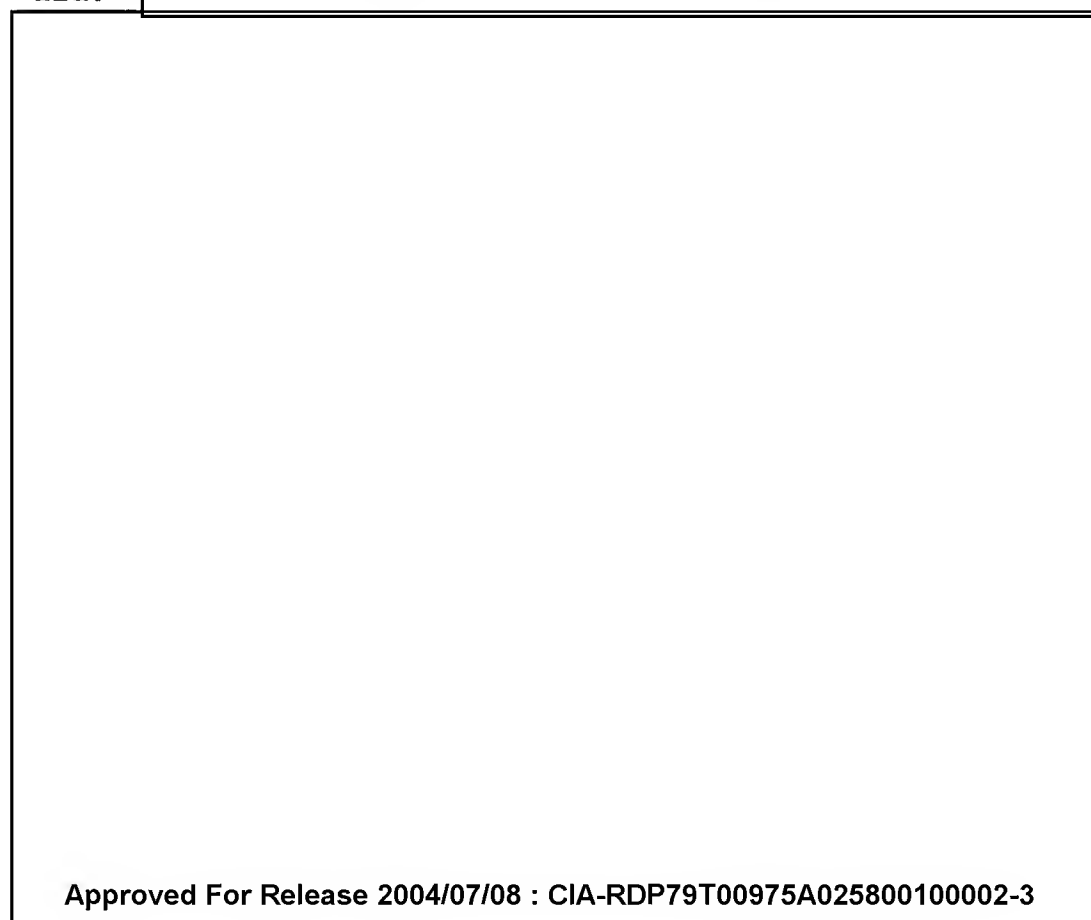
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LIBYA-ITALY: Libya offers oil for arms and economic aid.



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LIBYA-ITALY: LIBYA IS OFFERING "MAXIMUM" QUANTITIES OF OIL IF ROME ACCEDES TO A LIST OF DEMANDS FOR INDUSTRIAL ASSISTANCE AND ARMS.

IN DISCUSSIONS ON DECEMBER 11 WITH THE DIRECTOR OF THE ITALIAN STATE OIL COMPANY (ENI), PRIME MINISTER JALLUD ACCUSED ROME OF BUNKERING THE US SIXTH FLEET, A CHARGE THAT ALSO WAS DELIVERED THROUGH GOVERNMENT CHANNELS THIS WEEK.

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JALLUD ALSO REPRIMANDED ITALY FOR FAILING TO RESPOND FAVORABLY TO TRIPOLI'S INVITATION TO PARTICIPATE IN LIBYAN INDUSTRIAL DEVELOPMENT. THE ENI DIRECTOR DENIED THE BUNKERING CHARGE AND REMINDED THE PRIME MINISTER THAT ENI HAD OFFERED TO BUILD A NEW REFINERY AND EXPAND EXISTING FACILITIES BUT THAT LIBYA HAD NOT RESPONDED. JALLUD THEN PROMISED "MAXIMUM" QUANTITIES OF OIL IF ROME AGREED TO:

--DELIVERY OF ARMORED PERSONNEL CARRIERS MANUFACTURED UNDER US LICENSE IN ITALY. THE US HAS NOT YET GRANTED PERMISSION TO ROME TO EXPORT THESE VEHICLES.

--PROVIDE "MISSILE SYSTEMS" PRODUCED BY ITALIAN FACTORIES, AND CONSTRUCT TWO SUCH FACTORIES IN LIBYA.

--CONSTRUCT TWO NEW REFINERIES IN LIBYA AND EXPAND EXISTING FACILITIES.

--ESTABLISH FIAT AUTO AND AIRCRAFT FACTORIES IN LIBYA.

--FIX THE DATE FOR PRIME MINISTER RUMOR'S VISIT TO LIBYA.

JALLUD'S TONE WAS "SUFFICIENTLY MENACING" TO LEAD THE ENI DIRECTOR TO BELIEVE THAT LIBYA IS PREPARED TO HALT FURTHER DELIVERIES OF OIL IF THE CONDITIONS ARE NOT MET. THE ITALIAN WAS EXPECTED TO DELIVER HIS ANSWER TODAY.

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JALLUD'S PROMISE TO ALLEVIATE ITALY'S OIL PROBLEMS IN EXCHANGE FOR ARMS AND ECONOMIC ASSISTANCE REPRESENTS THE FIRST HARD INDICATION OF AN EFFORT BY THE LIBYANS TO BREAK AWAY FROM THE ARAB OIL OFFENSIVE. FOR SOME TIME, THE LIBYANS HAVE BEEN WORKING TO DISSOCIATE THEMSELVES FROM THE SAUDI-SPONSORED OIL SANCTIONS WHICH--IN PRESIDENT QADHAFI'S EYES--SERVE ONLY LIMITED TERRITORIAL OBJECTIVES RATHER THAN THE GOAL OF THE COMPLETE RESTORATION OF HISTORIC PALESTINE. ALTHOUGH JALLUD'S OFFER TO THE ITALIANS MAY HAVE CONTAINED A VEILED THREAT OF FURTHER CUTBACKS, THE LIBYANS PROBABLY HOPE TO STRIKE A SUCCESSFUL BARGAIN TO PROVE THEIR INDEPENDENCE TO OTHER ARABS

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